

**Limited Liability Company "Ukraine Tower Company"
International Financial Reporting Standards
Financial Statements
and Independent Auditor's Report**

31 December 2022

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This version of independent auditor's report is a translation from the original, which was prepared in Ukrainian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of independent auditor's report takes precedence over this translation.

Independent Auditor's Report

To the participant of Limited Liability Company "Ukraine Tower Company"

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Limited Liability Company "Ukraine Tower Company" (the "Company") as at 31 December 2022, and the Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS Accounting Standards) and comply, in all material respects, with requirements of the Law on Accounting and Financial Reporting in Ukraine for the preparation of financial statements.

What we have audited

The Company's financial statements comprise:

- the balance sheet (statement of financial position) as at 31 December 2022;
- the statement of financial results (separate statement of comprehensive income) for the year then ended;
- the statement of cash flows (indirect method) for the year then ended;
- the statement of shareholder's equity for the year then ended; and
- the notes to the financial statements, which include material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the Law on Audit of Financial Statements and Auditing that are relevant to our audit of the financial statements in Ukraine. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Material uncertainty relating to going concern

We draw attention to Notes 2 та 3 in the financial statements, which indicate that since 24 February 2022 the Company's operations are significantly affected by the invasion of Ukraine and the ongoing military offensive of the Russian Federation and the magnitude of the further developments is uncertain, including the intensity or the potential timing of the cessation of those actions. Also, as stated in Note 3 the Company has current liability position which includes overdue trade accounts payable to Kyivstar PJSC, a related party under common control. Possibility of further deferral of payment of these overdue trade accounts payable is uncertain. As stated in Note 3, these events or conditions, along with other matters as set forth in Note 3, indicate that

material uncertainties exist that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Emphasis of matter - iXBRL reporting

In accordance with the Law on Accounting and Financial Reporting in Ukraine the IFRS financial statements of the Company should be prepared in a single electronic format (iXBRL). As described in Note 3 to the financial statements, as of the date of approval of the financial statements, management of the Company has not yet prepared the financial statements in iXBRL format due to the circumstances described in Note 3 and plans to prepare and submit the financial statements in iXBRL format when it will be possible. Our opinion is not modified in respect of this matter.

Other information including the management report

Management is responsible for the other information. The other information comprises the management report (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report

Our opinion on the financial statements does not cover the other information, including the management report.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Based on the work undertaken in the course of our audit, in our opinion, the financial information given in the management report for the financial year for which the financial statements are prepared is consistent with the financial statements.

In addition, in light of the knowledge and understanding of the entity and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the management report and other information that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards and financial reporting requirements of the Law on Accounting and Financial Reporting in Ukraine, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The key audit partner on the audit resulting in this independent auditor's report is Maxim Vykhovanets.

LLC AF "PricewaterhouseCoopers (Audit)"

Maxim Vykhovanets

Identification number 21603903

Registration number in the Register of Auditors and Auditing Entities 0152

Registration number in the Register of Auditors and Auditing Entities 101814

LLC AF "PricewaterhouseCoopers (Audit)"

Kyiv, Ukraine

19 April 2024

Limited Liability Company "Ukraine Tower Company"
Balance Sheet (Statement of Financial Position)
(in thousands of Hryvnia)

			Codes		
	Date (year, month, day)	2022	12	31	
Company <u>Limited Liability Company "Ukraine Tower Company"</u>	EDRPOU	44281999			
Territory <u>Kyiv</u>	KOATUU	UA80000000001078669			
Organisational and legal form of economic activity <u>Limited Liability Company</u>	KOPFG	240			
Type of economic activity <u>Leasing and Operation of Own or Leased Real Estate</u>	KVED	68.20			
Average number of employees 106					
Address, telephone <u>53 Dehtyarivska Street, Kyiv, 03113, Ukraine</u>					
Measurement unit: thousands of Hryvnia, no decimal point (except for Section IV of the Statement of Financial Results (Statement of Comprehensive Income) (Form 2) where amounts are stated in Ukrainian hryvnias with kopecks)					
Prepared (tick the necessary box):					
according to National Regulations (Standards) of Accounting in Ukraine					
according to International Financial Reporting Standards					V

Balance Sheet (Statement of Financial Position)

as at 31 December 2022

Form 1

DKUD code

1801001

ASSETS	Line code	Notes	At the beginning of the reporting period	At the end of the reporting period
1	2	3	4	5
I. Non-current assets				
Construction-in-progress	1005	10	1 872	14 808
Property, plant and equipment	1010	8, 9	1 534 006	2 421 674
historical cost	1011		1 556 335	2 901 218
amortisation	1012		(22 329)	(479 544)
Deferred tax assets	1045	22	5 407	35 607
Other non-current assets	1090		-	94
Total Section I	1095		1 541 285	2 472 183
II. Current assets				
Inventories	1100		-	1 464
production stock	1101		-	1 464
Accounts receivable for goods, works and services	1125	11	62 370	175 839
Accounts receivable on settlements:				
on advances issued	1130	11	1 301	1 948
with the budget	1135	11	72 661	64 466
including corporate profit tax prepaid	1136		-	-
Accounts receivable for settlements on accrued income	1140	11	318	266
Cash and cash equivalents	1165	12	158 998	108 918
Deferred expenses	1170		1 449	4 352
Other current assets	1190	13	8 855	5
Total Section II	1195		305 952	357 258
III. Non-current assets held for sale and disposal groups				
	1200		-	-
BALANCE	1300		1 847 237	2 829 441


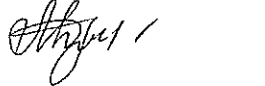
Limited Liability Company "Ukraine Tower Company"
Balance Sheet (Statement of Financial Position)
(in thousands of Hryvnia)

EQUITY & LIABILITIES	Line code	Notes	At the beginning of the reporting period	At the end of the reporting period
1	2	3	4	5
I. Equity				
Registered (share) capital	1400	14	5 000	5 000
Revaluation reserve	1410	14	27	79 745
Retained earnings (accumulated deficit)	1420	14	(26 656)	164 024
Total Section I	1495		(21 629)	248 769
Long-term bank borrowings	1510	15	697 939	-
Other long-term liabilities	1515	9	852 605	1 309 561
Long-term provisions	1520	17	49 569	14 846
Total Section II	1595		1 600 113	1 324 407
III. Current liabilities and provisions				
Short-term bank borrowings	1600	15	15	-
Current accounts payable on settlements: for goods, works, services	1615	16	61 490	386 236
with the budget	1620	16	158	41 166
including liability on corporate profit tax	1621	16	-	40 868
on payroll	1630	16	6	4
Current provisions	1660	17	1 649	21 704
Other current liabilities	1690	9, 18	205 435	807 155
Total Section III	1695		268 753	1 256 265
IV. Liabilities associated with non-current assets held for sale and disposal groups				
	1700		-	-
BALANCE	1900		1 847 237	2 829 441

Signed and authorised for issue on behalf of management of LLC "Ukraine Tower Company" on 19 April 2024

Chief Executive Officer

Chief Accountant

Artem Pohydaiev

Dina Myroniuk

Limited Liability Company "Ukraine Tower Company"
Statement of Financial Results (Statement of Comprehensive Income)
(in thousands of Hryvnia)

Company Limited Liability Company "Ukraine Tower Company"
(name)

Date (year, month, day)
EDRPOU

Codes		
2022	12	31
44281999		

Statement of Financial Results (Statement of Comprehensive Income)

for the year ended 31 December 2022

Form 2

DKUD code

1801003

I. Financial results

Item	Line Code	Notes	For the reporting period	For the similar period of the prior year
1	2	3	4	5
Net revenue from sales of goods, works and services	2000	19	1 231 871	85 658
Cost of sales of goods, works and services	2050	20	(536 443)	(62 355)
Gross:				
profit	2090		695 428	23 303
loss	2095		-	-
Other operating income	2120	19	8 406	3
Administrative expenses	2130	20	(87 257)	(36 459)
Selling expenses	2150	20	(1 802)	(44)
Other operating expenses	2180	20	(140 172)	-
Financial results from operating activities:				
profit	2190		474 603	-
loss	2195		-	(13 197)
Other financial income	2220	21	3 204	637
Other Income	2240		195	-
Financial expenses	2250	21	(231 190)	(19 476)
Other expenses	2270		-	(27)
Financial results before taxation:				
profit	2290		246 812	-
loss	2295		-	(32 063)
Income tax expense	2300	22	(56 132)	5 407
Net financial result:				
profit	2350		190 680	-
loss	2355		-	(26 656)

II. Comprehensive income

Item	Line Code	Notes	For the reporting period	For the similar period of the prior year
1	2	3	4	5
Other comprehensive income after tax	2460		-	-
Comprehensive income (total of lines 2350, 2355 and 2460)	2465		190 680	(26 656)

III. Elements of operating expenses

Item	Line Code	Notes	For the reporting period	For the similar period of the prior year
1	2	3	4	5
Payroll	2505	20	52 854	8 316
Social payments	2510	20	10 799	1 454
Depreciation/amortisation	2515	20	318 932	22 329
Other operating expenses	2520	20	383 089	66 759
Total	2550		765 674	98 858

Signed and authorised for issue on behalf of management of LLC "Ukraine Tower Company" on 19 April 2024

Chief Executive Officer



Artem Pohydaiev

Chief Accountant



Dina Myroniuk

Limited Liability Company "Ukraine Tower Company"
Statement of Cash Flows (indirect method)
(in thousands of Hryvnia)

Company Limited Liability Company "Ukraine Tower Company"
(name)

Date (year, month, day)
EDRPOU

2022	12	31
44281999		

Statement of Cash Flows (indirect method)

for the year ended 31 December 2022

Form 3

DKUD code

1801006

Item	Line Code	Notes	For the reporting period	For the similar period of the prior year
1	2	3	4	5
I. Cash flows from operating activities				
Profit (loss) from ordinary activities before taxation	3000		246 812	(32 063)
Adjustments for:				
depreciation of non-current assets	3505	8, 20	318 932	22 329
increase (decrease) in provisions	3510	8,17	22 375	1 649
non-realised foreign exchange differences	3515		520	-
loss (income) from other non-operating and non-cash transactions	3520		(10 341)	(610)
Impairment (reversal of impairment) of non-current assets	3526	20	138 570	-
Financial expenses	3540	21	231 190	19 476
Decrease (increase) in current assets	3550		(101 438)	(146 635)
Decrease (increase) in inventories	3551		(1 464)	-
Decrease (increase) in accounts receivable for goods, works and	3553	11	(113 468)	(62 370)
Decrease (increase) in other current accounts receivable	3554		7 548	(73 962)
Decrease (increase) in contract assets	3556		(2 903)	(1 449)
Decrease (increase) in other current assets	3557		8 849	(8 854)
Increase (decrease) in current liabilities	3560		37 274	39 716
Increase (decrease) in current accounts payable for goods,	3561		51 795	57 147
Increase (decrease) in current accounts payable for settlements	3562		141	158
Increase (decrease) in current accounts payable for settlements	3564		(2)	6
Increase (decrease) in other current liabilities	3567		(14 660)	(17 595)
Cash flows from operating activities	3570		883 894	(96 138)
Income tax paid	3580		(45 464)	-
Interest paid	3585	15	(175 914)	3 338
Cash flows from operating activities, net	3195		662 516	(92 800)


Limited Liability Company "Ukraine Tower Company"
Statement of Cash Flows (indirect method)
(in thousands of Hryvnia)


Item	Line Code	Notes	For the reporting period	For the similar period of the prior year
1	2	3	4	5
II. Cash flows from investing activities				
Receipts from:				
non-current assets	3205		134	-
Receipts from:				
interest received	3215		3 256	318
Purchases of:				
non-current assets	3260		(352 107)	(439 523)
Cash flows from investing activities, net	3295		(348 717)	(439 205)
III. Cash flows from financing activities				
Receipts from:				
Equity	3300	14	-	5 027
Loans received	3305	15	530 000	710 800
Loans repayment	3350	26	(750 000)	(10 800)
Interest paid	3360	26	-	(3 323)
Lease payments	3390	26	(152 806)	(10 701)
Cash flows from financing activities, net	3395		(372 806)	691 003
Cash flows for the reporting period, net	3400		(59 007)	158 998
Cash at the beginning of the year	3405	12	158 998	-
Effect of exchange rates on cash balances	3410		8 927	-
Cash at the end of the year	3415	12	108 918	158 998

Signed and authorised for issue on behalf of management of LLC "Ukraine Tower Company" on 19 April 2024

Chief Executive Officer

Chief Accountant


Artem Pohydaiev


Dina Myroniuk

Limited Liability Company "Ukraine Tower Company"
Statement of Shareholders' Equity
(in thousands of Hryvnia)

Company Limited Liability Company "Ukraine Tower Company"
 (name)

Date (year, month, day)
 EDRPOU

Codes		
2022	12	31
44281999		

Statement of Shareholders' Equity

for the year ended 31 December 2022
 Form 4

DKUD code

1801005

Item	Line code	Registered (share) capital	Revaluation reserve	Additional capital	Reserve capital	Retained earnings (accumulated deficit)	Unpaid capital	Withdraw n capital	Total
1	2	3	4	5	6	7	8	9	10
Balance at the beginning of the year	4000	5 000	-	27	-	(26 656)	-	-	(21 629)
Adjusted balance at the beginning of the year	4095	5 000	-	27	-	(26 656)	-	-	(21 629)
Net profit (loss) for the reporting period	4100	-	-	-	-	190 680	-	-	190 680
Other changes in equity	4290	-	-	79 718*	-	-	-	-	79 718
Changes in equity, total	4295	-	-	79 718	-	190 680	-	-	270 398
Balance at the end of the year	4300	5 000	-	79 745	-	164 024	-	-	248 769

*The amount of discounting of short-term interest-free repayable financial assistance (Note 7)

Signed and authorised for issue on behalf of management of LLC "Ukraine Tower Company" on 19 April 2024

Chief Executive Officer

Artem Pohydaiev

Chief Accountant

Dina Myroniuk

**Limited Liability Company "Ukraine Tower Company"
Statement of Shareholders' Equity
(in thousands of Hryvnia)**

Company Limited Liability Company "Ukraine Tower Company"
(name)

EDRPOU

44281999

Statement of Shareholders' Equity

for the year ended 31 December 2021

Form 4

DKUD code

1801005

Item	Line code	Registered (share) capital	Revaluation reserve	Additional capital	Reserve capital	Retained earnings (accumulated deficit)	Unpaid capital	Withdrawn capital	Total
1	2	3	4	5	6	7	8	9	10
Balance at the beginning of the year	4000	-	-	-	-	-	-	-	-
Adjusted balance at the beginning of the year	4095	-	-	-	-	-	-	-	-
Net profit (loss) for the reporting period	4100	-	-	-	-	(26 656)	-	-	(26 656)
Contributions to capital	4240	5 000	-	-	-	-	-	-	5 000
Other changes in equity	4290	-	-	27	-	-	-	-	27
Changes in equity, total	4295	5 000	-	27	-	(26 656)	-	-	(21 629)
Balance at the end of the year	4300	5 000	-	27	-	(26 656)	-	-	(21 629)

Signed and authorised for issue on behalf of management of LLC "Ukraine Tower Company" on 19 April 2024

Chief Executive Officer

Artem Pohydaiev

Chief Accountant

Dina Myroniuk

Limited Liability Company "Ukraine Tower Company"
Notes to the Financial Statements - 31 December 2022
(in thousands of Hryvnia)

1 Corporate information

This financial statement has been prepared in accordance with International Financial Reporting Standards for the year 2022, along with the Statement of Financial Results and the Statement of Cash Flows for the comparative period from 22 June to 31 December 2021 for Limited Liability Company "Ukraine Tower Company" (hereinafter referred to as the "Company").

The Company was registered in Ukraine on June 22, 2021, and is a resident of Ukraine. The Company is a limited liability company formed in accordance with the legislation of Ukraine.

As at December 31, 2021 and 2022, the Company's immediate parent company was VEON Ukraine Tower Holdings B.V.

Main Activity. The main activities of the Company in Ukraine are the leasing and operation of its own or leased passive telecommunications equipment, including masts, towers, containers, and others. The main lessee of the passive telecommunications equipment is PJSC "Kyivstar," which is an affiliated party of the Company.

Legal Address and Place of Business Activity: 53 Dehtyarivska St., Kyiv, 03113, Ukraine.

Presentation currency. These financial statements are presented in Ukrainian hryvnia, with all amounts rounded to the nearest thousand unless otherwise stated.

2 Operating environment, risks, political and economic conditions in Ukraine

On 24 February 2022, military forces from the Russian Federation commenced a full-scale invasion across the Ukrainian state, which had an impact on all areas of Ukrainian life and economy. Whilst the territories of Kyiv, Chernihiv, Sumy, Kharkiv and part of Kherson regions were occupied at the beginning of the war, they were subsequently liberated. As at 31 December 2022, Crimea and the major parts of Donetsk, Luhansk, Kherson and Zaporizhzhia regions continued to be under occupation and active military actions are ongoing there. For additional details on the war's impact on the Company's assets and operations refer to Going concern section in Note 3 of these financial statements.

Ukrainian businesses located outside the main war zones started to show signs of recovery from April 2022. Since October 2022, Russia has targeted Ukraine's national energy infrastructure with missiles and combat drone strikes, causing widespread destruction, leading to a significant degradation in Ukraine's energy supply. The continued pressure on Ukraine's energy infrastructure results in scheduled and unscheduled power outages for both households and businesses. The result of these actions is a decrease of Ukraine's GDP in 2022 of approximately 30.4% (2021: increase 3%) according to a report published by the Ministry of Economy of Ukraine. The situation remains tense, with its impact being felt on both the Ukrainian and global economies, and its further impact and duration is difficult to predict and quantify.

The National Bank of Ukraine ("NBU") follows an interest rate policy consistent with inflation targets. The inflation rate in Ukraine for 2022 stood at 26.6% (2021: 10.0%) according to the statistics published by the State Statistics Service of Ukraine. An increase in inflation in 2022 led the NBU to begin monetary tightening and to increase its key policy rate from 10% effective from 20 January 2022 to 25% effective from 3 June 2022. In 2023, the NBU gradually reduced the key policy rate to 22% in July, to 20% in September, and to 16% in October.

To ensure the reliable and stable functioning of the country's financial system, the exchange rate of the hryvnia was fixed at 29.25 UAH per 1 USD on the foreign exchange market as at February 24, 2022 (compared to 27.28 UAH per 1 USD as at December 31, 2021). On July 21, 2022, the exchange rate was revised to 36.57 UAH per 1 USD, and it remained at this level until October 3, 2023, when the NBU returned to a flexible exchange rate policy.

To constrain price increases in Ukraine, as well as keep inflation under control, the NBU not only fixed the USD exchange rate, but also introduced a number of administrative restrictions, in particular on foreign exchange transactions and capital movements including restrictions on interest and dividend payments being made to accounts abroad in foreign currencies. Due to all these restrictions, the UAH lacks exchangeability and is not freely convertible to hard currencies.

Limited Liability Company "Ukraine Tower Company"
Notes to the Financial Statements - 31 December 2022
(in thousands of Hryvnia)

2. Operating environment, risks, political and economic conditions in Ukraine (continued)

The yield to maturity ("YtM") on the Ukrainian Government's Eurobonds increased to 63.4% (for 5-year maturity instruments as at 31 December 2022) from 8.9% as at 31 December 2021. At the same time, the domestic Ukrainian sovereign bonds in UAH (for a 5-year maturity) were traded with yields of 22% as at 31 December 2022. In August 2022, Ukraine's creditors agreed to a two-year standstill on all its Eurobonds that allowed deferring nearly USD 6 billion of scheduled repayments. From January 2022, foreign currency reserves, that as at 31 December 2021 were at the highest level since 2011, started to be gradually utilised. However, due to the inflow of international aid, foreign currency reserves exceeded the pre-war level as at 31 December 2022. From the start of the war the Ukrainian budget experienced a significant deficit, which was financed by national and international borrowings and grants. Since the beginning of the full-scale invasion by Russia up until 31 December 2022, the total amount of funds received by Ukraine from international partners amounted to USD 31.2 billion (UAH 1,046 billion), out of which 45% were in the format of a grant. International support is crucially important for Ukraine's ability to continue fighting against the aggression and funding the budget deficit and on-going debt repayments.

The Company continues its operations in these circumstances. For the details of the impacts of the invasion on the Company's operations, please, refer to Going concern section in Note 3 of these financial statements.

3 Key principles of accounting policy

Basis of preparation.

The financial statements of the Company have been prepared on a historical cost basis.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated (refer to Notes 4 and 5).

These financial statements are presented in UAH and all values are rounded to the nearest thousands, except when otherwise indicated.

Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

In accordance with paragraph 5 of Article 121 of the Law of Ukraine "On Accounting and Financial Reporting in Ukraine," enterprises that prepare financial statements under IFRS must prepare and submit their financial statements based on the IFRS taxonomy in a single electronic format (iXBRL). Due to the introduction of martial law in Ukraine, Law No. 2115-IX stipulates that legal entities, among others, must submit financial and audit reports, as well as any other documents required under applicable legislation, either in documentary and/or electronic form within three months after the termination or cancellation of martial law or the state of war for the entire period of non-submission of reports or the obligation to submit documents. The Company's management plans to prepare the reporting package in iXBRL format and submit the reports in iXBRL format within 90 days after the end of martial law.

Going concern

As at December 31, 2022, the Company's current liabilities exceed its current assets by UAH 899,007 thousand (December 31, 2021: the Company's current assets exceeded its current liabilities by UAH 37,199 thousand). At the same time, the net cash flow from operating activities for 2022 was UAH 662,516 thousand. The net profit of the Company for 2022 was UAH 190,680 thousand (2021: net loss of UAH 26,656 thousand).

Despite the fact that the Company's current liabilities exceed its current assets by UAH 899,007 thousand as at December 31, 2022, the actual net cash flow from operating activities for 2023 and January–February 2024 exceeds the amount of the current liquidity deficit as at December 31, 2022. However, due to additional investment expenditures as of the date of this report, there remains a current liquidity deficit, which the Company expects to fully close through operating cash inflows within the next 12 months.

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3. Key principles of accounting policy (continued)

The amount by which the Company's current liabilities exceed its current assets as at 31 December 2022 and as at the date of this financial report includes, among other things, a significant trade payable to Kyivstar (Note 7), a related party under common control, which is overdue, and the Company does not have a contractual right to further defer its settlement. However, the Company reasonably expects that immediate repayment will not be required and that the payable may continue to be deferred.

As stated in Note 2, the Company continues its operations and adapted to operations in war conditions. The main highlights that affect Company's operations during or after the invasion are as follows:

- **Control over assets.** As at the date of the issue of this financial report, no critical assets preventing the Company from continuing operations have been damaged. However, approximately 5% of the total number of base radio stations, which constitute a major component of the property, plant, and equipment, were located in temporarily occupied regions (primarily in Donetsk, Luhansk, Kherson, and Kharkiv oblasts) and were not operational. The Company recognized an impairment loss on property, plant and equipment in 2022 in the amount of approximately UAH 63 million (Note 20).
- **Impact on customers and revenues.** Despite the negative consequences associated with the temporarily occupied regions, and taking into account the specifics of the Company's operations (a large number of base stations placed throughout Ukraine and a main customer with a stable financial position), the negative impact on the Company's revenue is minimal. However, there remains significant uncertainty regarding further escalation of military actions, which could have a substantial impact on the Company's operations, revenue, and overall financial results.

Although the Company's operations have not yet experienced a significant impact, the future course of the military invasion, its duration, and its short-term and long-term effects on the Company, its personnel, operations, liquidity, and assets represent factors of significant uncertainty. Given the numerous scenarios for further developments with an unknown probability, the impact on the Company may range from significant to adverse.

To analyze the impact of circumstances and support the Company's ability to continue as a going concern, the management has prepared an updated cash flow forecast for the period up to December 31, 2025, based on the expectation that the intensity of military action and the extent of the territories in Ukraine affected by the Russian invasion will not significantly increase relative to the current situation, and that the main user of the Company's services will continue its operational activities. According to this forecast, the Company will not face liquidity gaps in any of the projected periods and will be able to meet its obligations.

Considering the factors above Management concluded that despite current circumstances and impact described above the Company is able to continue as a going concern and the application of the going concern assumption for the preparation of these financial statements is appropriate.

However, the uncertainty regarding the possibility of further deferring the settlement of trade payables to Kyivstar and the potential consequences for the Company's operations, as well as the ongoing military aggression by the Russian Federation including the scale, intensity, and potential duration of the military conflict, are factors of significant uncertainty that may raise substantial doubts about the Company's ability to continue as a going concern. As a result, the Company may lose its ability to realize its assets and discharge its liabilities in the normal course of business.

Despite these factors of material uncertainty relating to the war in Ukraine, management expects that the Company has sufficient resources to manage the business for the next twelve months from the date of these financial statements issue. Management will continue to monitor the potential impact and will take all steps possible to mitigate any effects.

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4 New or revised standards and interpretations

The following amended standards became effective from 1 January 2022, but did not have any material impact on the Company:

- *Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022).*
- The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are now recognised in profit or loss. An entity will use IAS 2 to measure the cost of those items. Cost will not include depreciation of the asset being tested because it is not ready for its intended use. The amendment to IAS 16 also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management.
- The amendment to IAS 37 clarifies the meaning of 'costs to fulfil a contract'. The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract; and an allocation of other costs that relate directly to fulfilling. The amendment also clarifies that, before a provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.
- IFRS 3 was amended to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. Prior to the amendment, IFRS 3 referred to the 2001 Conceptual Framework for Financial Reporting. In addition, a new exception in IFRS 3 was added for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 or IFRIC 21, rather than the 2018 Conceptual Framework. Without this new exception, an entity would have recognised some liabilities in a business combination that it would not recognise under IAS 37. Therefore, immediately after the acquisition, the entity would have had to derecognise such liabilities and recognise a gain that did not depict an economic gain. It was also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.
- The amendment to IFRS 9 addresses which fees should be included in the 10% test for derecognition of financial liabilities. Costs or fees could be paid to either third parties or the lender. Under the amendment, costs or fees paid to third parties will not be included in the 10% test.
- Illustrative Example 13 that accompanies IFRS 16 was amended to remove the illustration of payments from the lessor relating to leasehold improvements. The reason for the amendment is to remove any potential confusion about the treatment of lease incentives.
- IFRS 1 allows an exemption if a subsidiary adopts IFRS at a later date than its parent. The subsidiary can measure its assets and liabilities at the carrying amounts that would be included in its parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. IFRS 1 was amended to allow entities that have taken this IFRS 1 exemption to also measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. The amendment to IFRS 1 extends the above exemption to cumulative translation differences, in order to reduce costs for first-time adopters. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.
- The requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41 was removed. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

The application of the amendments had no significant impact on these financial statements.

New standards and interpretations not yet adopted

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2023 or later, and which the Company has not early adopted.

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4. New or revised standards and interpretations (continued)

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary. The Company is currently assessing the impact of the amendments on its financial statements.

IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023). IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately. The Company is currently assessing the impact of the amendments on its financial statements.

Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023). The amendments include a number of clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and transition. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard. The following amendments to IFRS 17 were made:

- ***Effective date:*** The effective date of IFRS 17 (incorporating the amendments) has been deferred by two years to annual reporting periods beginning on or after 1 January 2023; and the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 has also been deferred to annual reporting periods beginning on or after 1 January 2023.
- ***Expected recovery of insurance acquisition cash flows:*** An entity is required to allocate part of the acquisition costs to related expected contract renewals, and to recognise those costs as an asset until the entity recognises the contract renewals. Entities are required to assess the recoverability of the asset at each reporting date, and to provide specific information about the asset in the notes to the financial statements.
- ***Contractual service margin attributable to investment services:*** Coverage units should be identified, considering the quantity of benefits and expected period of both insurance coverage and investment services, for contracts under the variable fee approach and for other contracts with an 'investment-return service' under the general model. Costs related to investment activities should be included as cash flows within the boundary of an insurance contract, to the extent that the entity performs such activities to enhance benefits from insurance coverage for the policyholder.
- ***Contractual service margin attributable to investment services:*** Coverage units should be identified, considering the quantity of benefits and expected period of both insurance coverage and investment services, for contracts under the variable fee approach and for other contracts with an 'investment-return service' under the general model. Costs related to investment activities should be included as cash flows within the boundary of an insurance contract, to the extent that the entity performs such activities to enhance benefits from insurance coverage for the policyholder.
- ***Other amendments:*** Other amendments include scope exclusions for some credit card (or similar) contracts, and some loan contracts; presentation of insurance contract assets and liabilities in the statement of financial position in portfolios instead of groups; applicability of the risk mitigation option when mitigating financial risks using reinsurance contracts held and non-derivative financial instruments at fair value through profit or loss; an accounting policy choice to change the estimates made in previous interim financial statements when applying IFRS 17; inclusion of income tax payments and receipts that are specifically chargeable to the policyholder under the terms of an insurance contract in the fulfilment cash flows; and selected transition reliefs and other minor amendments.

The Company is currently assessing the impact of the amendments on its financial statements.

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4. New or revised standards and interpretations (continued)

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information. The amendment also clarified that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. The amendment provided illustrative examples of accounting policy information that is likely to be considered material to the entity's financial statements. Further, the amendment to IAS 1 clarified that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. To support this amendment, IFRS Practice Statement 2, 'Making Materiality Judgements' was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures. The Company is currently assessing the impact of the amendments on its financial statements.

Amendments to IAS 8: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates. The Company is currently assessing the impact of the amendments on its financial statements.

Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023). The amendments to IAS 12 specify how to account for deferred tax on transactions such as leases and decommissioning obligations. In specified circumstances, entities are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations – transactions for which both an asset and a liability are recognised. The amendments clarify that the exemption does not apply and that entities are required to recognise deferred tax on such transactions. The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The Company is currently assessing the impact of the amendments on its financial statements.

Transition option to insurers applying IFRS 17 – Amendments to IFRS 17 (issued on 9 December 2021 and effective for annual periods beginning on or after 1 January 2023). The amendment to the transition requirements in IFRS 17 provides insurers with an option aimed at improving the usefulness of information to investors on initial application of IFRS 17. The amendment relates to insurers' transition to IFRS 17 only and does not affect any other requirements in IFRS 17. The transition requirements in IFRS 17 and IFRS 9 apply at different dates and will result in the following one-time classification differences in the comparative information presented on initial application of IFRS 17: accounting mismatches between insurance contract liabilities measured at current value and any related financial assets measured at amortised cost; and if an entity chooses to restate comparative information for IFRS 9, classification differences between financial assets derecognised in the comparative period (to which IFRS 9 will not apply) and other financial assets (to which IFRS 9 will apply). The amendment will help insurers to avoid these temporary accounting mismatches and, therefore, will improve the usefulness of comparative information for investors. It does this by providing insurers with an option for the presentation of comparative information about financial assets. When initially applying IFRS 17, entities would, for the purpose of presenting comparative information, be permitted to apply a classification overlay to a financial asset for which the entity does not restate IFRS 9 comparative information. The transition option would be available, on an instrument-by-instrument basis; allow an entity to present comparative information as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset, but not require an entity to apply the impairment requirements of IFRS 9; and require an entity that applies the classification overlay to a financial asset to use reasonable and supportable information available at the transition date to determine how the entity expects that financial asset to be classified applying IFRS 9. The Company is currently assessing the impact of the amendments on its financial statements.

Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024). The amendments relate to the sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to subsequently measure liabilities arising from the transaction and in a way that it does not recognise any gain or loss related to the right of use that it retained. This means deferral of such a gain even if the obligation is to make variable payments that do not depend on an index or a rate. The Company is currently assessing the impact of the amendments on its financial statements.

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4. New or revised standards and interpretations (continued)

Classification of liabilities as current or non-current – Amendments to IAS 1 (originally issued on 23 January 2020 and subsequently amended on 15 July 2020 and 31 October 2022, ultimately effective for annual periods beginning on or after 1 January 2024). These amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. The October 2022 amendment established that loan covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument. The Company is currently assessing the impact of the amendments on its financial statements.

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Company's financial statements.

5 Material accounting policies

Functional and presentation currencies

The functional and presentation currency of the Company is Ukrainian Hryvnia, the currency of the primary economic environment in which the Company operates.

Foreign currency translation

Monetary assets and liabilities are translated into the functional currency of the Company at the official exchange rate of the National Bank of Ukraine ("NBU") at the end of the respective reporting period. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities into the Company's functional currency at the end of the reporting period at the official exchange rates of the NBU are recognised in profit or loss for the year as foreign currency translation gains less losses. Translation at period-end rates does not apply to non-monetary items that are measured at historical cost.

At 31 December 2022 and 2021, the principal rates of exchange used for translating foreign currency balances were as follows:

	31 December 2022, UAH	31 December 2021, UAH
1 Euro (EUR)	38,951	30,923

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary items at exchange rates different from those used to translate monetary items upon initial recognition during the current or prior reporting periods are recognised in profit or loss as originated, except for foreign exchange differences recognised in comprehensive income.

Foreign exchange gains and losses resulting from the translation of monetary items (other than cash and cash equivalents) in a foreign currency at the end of the reporting period are shown in unrealised foreign exchange differences. Upon settlement of the monetary items (cash payments or receipts), all previously accumulated unrealised foreign exchange differences arising during the period from initial recognition to the settlement of the monetary item are recorded as realised foreign exchange differences. Foreign exchange gains and losses resulting from the translation of cash and cash equivalents in a foreign currency are always shown in realised foreign exchange differences.

Foreign exchange gains and losses resulting from the translation of monetary items related to investing and financing activities are shown in non-operating foreign exchange differences. These include amounts payable on loan agreements, deposits with the contractual maturity in excess of three months, accounts payable (receivable) on property, plant and equipment and intangible assets, loans issued to employees etc.

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5. Material accounting policies (continued)

Foreign exchange gains and losses resulting from the translation of monetary items other than those related to investing and financing activities are included in operating foreign exchange differences.

Amendment of the financial statements after issue

Any changes to these financial statements after issue require approval of the Company's management who authorised these financial statements for issue.

Revenue recognition and measurement

Revenue is income arising in the course of the Company's ordinary activities.

The Company classifies lease agreements as operating leases and recognises accruals under lease agreements in the statement of profit or loss as net revenue from sales of goods, works, and services.

This decision is based on the following factors:

- (i) Under the terms of the lease agreement, the assets do not transfer to the customer at the end of the lease term.
- (ii) The lease agreement does not include a purchase option for the assets.
- (iii) The majority of the economic useful life of the assets exceeds the lease term.
- (iv) The fair value of the underlying assets exceeds the present value of the lease payments.
- (v) The underlying assets are not specialised and can be used by other lessees for their purposes.

The cost of the Company's services is determined based on the established lease payment rate. Revenue under contracts with customers is recognised monthly, based on the Acceptance and Handover Act, which specifies the calculated lease payment amount for the given month to be paid to the Company according to the rates stipulated in the agreement between the Company and the customer.

A separate component of the contract is compensation for utility services

The Company classifies reimbursement for utilities as a separate non-lease component in accordance with the requirements of paragraphs 12 and 17 of IFRS 16. This non-lease component is directly related to the main lease component and cannot arise separately from lease payments. Accordingly, the Company recognizes reimbursement for utilities in accordance with IFRS 16.

Expense recognition and measurement

The Company recognises expenses upon outflow of future economic benefits from decrease in an asset or increase in a liability that can be measured reliably.

The Company classifies its expenses by functional group: cost of sales of goods, works and services, administrative expenses, selling expenses, other operating expenses, financial expenses and other expenses.

The Company applies the classification of expenses by element according to their economic substance (such as depreciation/amortisation, payroll, repairs etc), which is disclosed in the notes to these financial statements.

The cost of materials and services comprises the cost of materials and services realised during the reporting period, and unallocated fixed general productions costs. The cost includes: direct material, direct labor and other direct expenses, and general production costs. The cost includes the following (the list is not exhaustive): rental and electricity costs for telecommunication network sites, network maintenance costs, personnel costs for the technical function, and other direct expenses.

Administrative expenses are general business expenses associated with management and maintenance of the Company's operations. Administrative expenses include the following (the list is not exhaustive): professional services, banking charges, provisions and other expenses related to maintenance of the Company's operations.

Selling expenses are expenses related to sales (distribution) of the Company's goods and services. Selling expenses include the following (the list is not exhaustive): payroll and other employee benefits of selling units etc.

Other operating expenses are the Company's expenses not included in the cost of sales, administrative expenses, selling expenses, financial expenses and corporate profit tax expenses but associated with the Company's operating activity.

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5. Material accounting policies (continued)

Other operating expenses include the following (the list is not exhaustive): provisions for expected credit losses, other provisions, fines and penalties, operating foreign exchange differences, membership fees to professional associations, charitable contributions, cost of disposal of property, plant and equipment, intangible assets, impairment of non-current assets and decommissioning of unusable fixed assets

Financial expenses result from finance raising transactions including finance leases, and from accounting for financial assets or financial liabilities at discounted (amortised) cost.

Other expenses are the Company's expenses not related to its operating activities. These include expenses resulting from unusual events not inherent in the Company's operations like non-operating foreign exchange differences and other non-operating expenses.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes professional fees and, for qualifying assets, borrowing costs are capitalised. Depreciation is calculated to reduce the cost of assets, other than land, to their estimated residual value, if any, over their estimated useful lives. Depreciation commences when the assets are ready for their intended use.

Repair and maintenance are capitalised in case significant improvement of assets is in place, which brings new functionality and could result in increased useful life of an asset. Current repair and maintenance is expensed as incurred. If new parts are capitalised, replaced parts are derecognised and any remaining net book value is recorded as loss on disposal.

When the expected cost of decommissioning of an asset after its use is material to the financial statements, the present value of the expected cost of decommissioning of an asset after its use is included into the cost of the respective asset, if the recognition criteria for a provision are met. Subsequent increases in decommissioning liability as a result of change in assumptions (i.e. discount rate, period until dismantling, cost of dismantling etc.) are recognised in the additions to property, plant and equipment. Subsequent decreases in decommissioning liability as a result of change in assumptions are recognised in disposal of property, plant and equipment.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Group of property, plant and equipment	Useful life of new fixed assets (years)	Useful life of non-current assets acquired from PJSC Kyivstar (years).
Machinery and equipment (including masts, towers, containers, and other related assets)	8-20	3-10
Tools, instruments, and inventory (furniture).	5	-

Depreciation method, estimated useful life and residual value are evaluated at least annually and adjusted prospectively, if appropriate. Residual value is estimated to be zero for most of the assets, as the Company expects to use these assets for their entire economic life.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of comprehensive income in the year when the item is derecognised.

Leasehold improvements are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Construction in progress

The construction-in-progress items are capitalised as a separate element of non-current assets and are stated at cost less any accumulated impairment losses. On completion, the constructed asset at its cost less accumulated impairment loss is transferred to the appropriate category of property, plant and equipment. Construction in progress is not depreciated.

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5. Material accounting policies (continued)

Uninstalled equipment

Uninstalled equipment is equipment purchased by the Company but not put into operation and is stated at cost less any accumulated impairment losses. Uninstalled equipment is not depreciated.

Right-of-use assets

The Company leases locations for passive telecommunication equipment, various buildings, structures and transmission devices, offices, as well as vehicles. Contracts may include both lease components and non-lease components. The Company allocates the contract consideration between lease and non-lease components based on their relative standalone selling prices. However, for real estate leases where the Company acts as a lessee, it has opted not to separate the lease components and non-lease components, instead recognizing them as a single lease component.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs..

The Company calculates depreciation of right-of-use assets using the straight-line method over the lease term as follows:

Group of right-of-use assets	Lease term (years)
Buildings, constructions and transmission equipment	7
Vehicles	2-5

Lease term reassessment

The Company performs revision of lease terms, or reassess options included in the lease term only upon the occurrence of certain triggers. These are events or changes in circumstances Company considers may lead to a reassessment:

- significant CAPEX on or within the underlying asset;
- significant rollout of new technologies;
- commencing internal/external discussions regarding extension/termination option not previously included in the lease term;
- consolidation of tower sites that might change the expected use of surrounding sites and impact the assessment of extension and termination options;
- other full or partial replacement of equipment for signal amplification.

For all leases, a revision of the lease term would only occur due to changes in the non-cancellable period, or assessments of extension and termination options – but this assessment can only take place if there has been a significant event or change in circumstances.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective asset. Substantial period of time is project with construction period of 6 month or more. All other borrowing costs are expensed in the period they occur included to financial expenses. Borrowing costs consist of interest and other costs incurred in connection with the borrowing of funds.

Inventories

Inventories are stated at the lower of cost and net realisable value for items to be sold as separate goods. Inventories intended for sale as part of a multiple-component transaction, resulting in expected net income for the Company, are valued at cost even if the sale price of inventories is lower than their cost. The cost of inventories consumed is determined using the weighted average cost method.

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5. Material accounting policies (continued)

Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset or cash generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators. Impairment losses of continuing operations are recognised in profit and loss.

A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Based on the specifics of the Company's operations, the management concluded that the Company has one cash generating unit, which is the Company's network.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased.

If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit and loss. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Financial instruments – key measurement terms

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is the price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the number of instruments held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs).

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost ("AC") is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses ("ECL"). Accrued interest includes amortisation of transaction costs deferred at initial recognition and

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5. Material accounting policies (continued)

of any premium or discount to the maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate. For assets that are purchased or originated credit impaired ("POCI") at initial recognition, the effective interest rate is adjusted for credit risk, i.e. it is calculated based on the expected cash flows on initial recognition instead of contractual payments.

Financial instruments – initial recognition

Financial instruments at fair value through profit and loss (FVTPL) are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an ECL allowance is recognised for financial assets measured at AC and investments in debt instruments measured at fair value through other comprehensive income (FVTOCI), resulting in an immediate accounting loss.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Company commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial assets – classification and subsequent measurement – measurement categories

The Company classifies financial assets in the following measurement categories: FVTPL, FVOCI and AC. The classification and subsequent measurement of debt financial assets depends on: (i) the Company's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset. The Company's financial assets include cash and cash equivalents, trade and other receivables, other financial assets all of which are classified as AC in accordance with IFRS 9.

Financial assets – classification and subsequent measurement – business model

The business model reflects how the Company manages the assets in order to generate cash flows – whether the Company's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows"), or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

The Company's business model for financial assets is to collect the contractual cash flows from the assets ("hold to collect contractual cash flows").

Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Company assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). In making this assessment, the Company considers whether the contractual cash flows are consistent with the basic lending arrangements, i.e. interest includes only considerations for credit risk, time value of money, other basic lending risks and profit margin. The SPPI assessment is performed on initial recognition of an asset and is not subsequently reassessed.

Financial assets – reclassification

Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model.

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5. Material accounting policies (continued)

Financial assets impairment – credit loss allowance for ECL

The Company assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and FVOCI and for the exposures arising from loan commitments and financial guarantee contracts, for contract assets. The Company measures ECL and recognises net impairment losses on financial and contract assets at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Debt instruments measured at AC and contract assets are presented in the statement of financial position net of the allowance for ECL. For loan commitments and financial guarantees, a separate provision for ECL is recognised as a liability in the statement of financial position. For debt instruments at FVOCI, changes in amortised cost, net of allowance for ECL, are recognised in profit or loss and other changes in carrying value are recognised in OCI as gains less losses on debt instruments at FVOCI.

The Company applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Company identifies a significant increase in credit risk since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). If the Company determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. For financial assets that are purchased or originated credit-impaired, the ECL is always measured as a Lifetime ECL.

Financial assets – write-off

Financial assets are written-off, in whole or in part, when the Company exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Company may write-off financial assets that are still subject to enforcement activity when the Company seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

Financial assets - derecognition

The Company derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Company has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement whilst (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all the risks and rewards of ownership but not retaining control.

Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Company derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners. If the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Company recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets), and recognises a modification gain or loss in profit or loss.

Financial liabilities – measurement categories

Financial liabilities are classified as subsequently measured at AC, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g., short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

The Company's financial liabilities include trade and other payables, other financial liabilities, borrowings all of which are classified as AC in accordance with IFRS 9.

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5. Material accounting policies (continued)

Financial liabilities – derecognition

Financial liabilities are derecognised when they are extinguished (i.e., when the obligation specified in the contract is discharged, cancelled or expires).

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) in the event of default and (iii) in the event of insolvency or bankruptcy.

Borrowings

Borrowings include long- and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred, and are subsequently carried at AC using the effective interest method.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and are subsequently carried at AC using the effective interest method.

Trade and other payables

Trade payables are accrued when the counterparty performs its obligations under the contract and are recognised initially at fair value and subsequently carried at AC using the effective interest method.

Lease liabilities

Liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- ▶ fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- ▶ variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date,
- ▶ amounts expected to be payable by the Company under residual value guarantees,
- ▶ the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and
- ▶ payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Extension and termination options are included in a number of lease agreements for buildings, structures, and land plots hosting elements of passive telecommunication infrastructure.

These terms are used to maximise operational flexibility in terms of managing the assets used in the Company's operations. The majority of extension and termination options held are exercisable only by the Company and not by the respective lessor.

Extension options (or the period following the date specified by termination options) are included in the lease term only if there is sufficient certainty that the lease will be extended (or not terminated). Lease payments under extension options are also included in the measurement of the lease liability if there is sufficient certainty that the lease will be extended.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases of the Company, the Company's incremental borrowing rate is used, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, collateral and conditions.

To determine the incremental borrowing rate, the Company:

- ▶ uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk, and
- ▶ makes adjustments specific to the lease, e.g., term, country, currency and collateral.

5. Material accounting policies (continued)

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The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance costs. The finance costs are charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Employee benefits

The Company makes defined contributions to the State Pension Fund at the relevant statutory rates in force during the year, based on gross salary payments; such an expense is charged in the period when the related salaries are earned.

Current income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- ▶ where the deferred tax liability arises from the initial recognition of goodwill, or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit and loss; and;
- ▶ taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences and unused tax losses carried forward, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and unused tax losses carried forward can be utilised, except:

- ▶ when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit and loss;
- ▶ in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred income tax assets and liabilities are measured at the tax rates that are expected to be applied in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit and loss is recognised outside profit and loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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5. Material accounting policies (continued)

Value added tax

Revenues, expenses and assets are recognised net of value added tax (VAT) except where VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case VAT is recognised as part of the cost of acquisition of the asset or as part of expense item as applicable; and receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is disclosed in the notes to the financial statements.

Current/non-current classification

An asset/liability is classified as current, when it is expected to be realised (settled) or is intended for sale or consumption within 12 months after the reporting date. Other assets/liabilities are classified as non-current. Financial instruments are classified based on expected life. Deferred tax assets are classified as non-current.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months (92 days) or less. Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

For the purpose of cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts, if any.

Provisions and reserves

Provisions and reserves are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit and loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Contingent assets and liabilities

A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

Contingent liabilities are not recognised in the financial statements unless it is probable that an outflow of economic resources will be required to settle the obligation and it can be reasonably estimated. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Events after the reporting period

Events after the reporting period that provide additional information on the Company's position at the reporting date (adjusting events) are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes when material.

Transactions with the ultimate parent and entities under common control

Transactions between unrelated parties are presumed to be exchanges of equal fair values. When the Company is engaged in transactions with the ultimate parent and entities under common control, where there is no presumption of equal fair values, and IFRS require the transaction to be recognised at fair value, the Company accounts for the difference between fair value and the amount of such transaction directly in equity as distribution to or contribution from shareholders, in accordance with its economic substance.

6 Critical accounting judgements and key sources of estimation uncertainty

Key sources of estimation uncertainty - critical accounting estimates

Certain amounts included in or affecting the financial statements and related disclosures must be estimated, requiring management to make assumptions with respect to values or conditions which cannot be known with certainty at the time the financial statements are prepared.

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6. Critical accounting judgements and key sources of estimation uncertainty (continued)

A critical accounting estimate is one, which is both important to the portrayal of the Company's financial condition and results and requires management's most difficult, subjective, or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

Management evaluates such estimates on an ongoing basis, based upon historical results and experience, consultation with experts, trends and other methods, which management considers reasonable in the particular circumstances, as well as the forecasts as to how these might change in the future. However, uncertainty about these estimates could result in outcomes that require a material adjustment to the carrying amount of an asset or liability affected in the next 12 months.

Depreciation and amortisation

Depreciation and amortisation methods are based on management estimates of the expected useful lives of property, plant and equipment and intangible assets. Estimates may change due to technological developments, competition, changes in market conditions and other factors and may result in changes in the estimated useful lives and in the amortisation or depreciation charges. Some technological developments are difficult to predict and the Company's views on the trends and pace of development may change over time. Some of the assets and technologies, in which the Company invested several years ago, are still in use and provide the basis for the new technologies.

The useful lives of property, plant and equipment and intangible assets are reviewed at least annually taking into consideration the factors mentioned above and all other important factors. In case of significant changes in estimated useful lives, depreciation and amortisation charges are adjusted prospectively.

Depreciation of right-of-use assets

Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Details of judgements applied for lease term determination are disclosed in paragraph "Extension and termination options".

Extension and termination options

Extension and termination options are included in a number of buildings, constructions and transmission equipment leases that accommodate elements of the passive telecommunications infrastructure across the Company. These are used to maximise operational flexibility in terms of managing the assets used in the Company's operations. The majority of extension and termination options held are exercisable only by the Company and not by the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For lease term determination, the following factors are normally the most relevant:

- ▶ If there are significant penalties to terminate (or not extend), the Company is typically reasonably certain to extend (or not terminate);
- ▶ otherwise, the Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

Sensitivity analyses

The lease term is limited by the reasonably certain period, which is determined based on useful life of the core equipment.

6. Critical accounting judgements and key sources of estimation uncertainty (continued)

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The following table demonstrates the impact on the carrying amount of lease liabilities and right-of-use assets in case if estimated lease term of the Company's lease agreements differs from management's estimates:

31 December 2022	Increase/(decrease) in years	Increase/ (decrease) in balances
Lease liabilities/ Right-of-use assets	+ 1 year	185 235
Lease liabilities/ Right-of-use assets	- 1 year	(205 488)

31 December 2021	Increase/(decrease) in years	Increase/ (decrease) in balances
Lease liabilities/ Right-of-use assets	+ 1 year	101 268
Lease liabilities/ Right-of-use assets	- 1 year	(111 962)

Impairment of non-financial assets

The Company has made significant investments in property, plant and equipment, construction in progress and intangible assets. These assets are tested for impairment when circumstances indicate there may be a potential impairment.

Factors considered important which could trigger an impairment evaluation include the following: significant fall in market values, significant underperformance relative to historical or projected future operating results, significant changes in the use of assets or the strategy for the Company's overall business, including assets that are decided to be phased out or replaced and assets that are damaged or taken out of use, significant negative industry or economic trends and significant cost overruns in the development of assets.

Estimating recoverable amounts of assets must in part be based on management's evaluations, including determining appropriate cash generating units, estimates of future performance, revenue generating capacity of the assets, assumptions of the future market conditions and the success in marketing of new products and services. Changes in circumstances and in management's evaluations and assumptions may give rise to impairment losses in the relevant periods. Additional information about loss on impairment of property, plant and equipment, construction in progress, intangible assets and assets of disposal group classified as held for sale is disclosed in Note 8 and Note 20.

Decommissioning provision for assets

The Company uses a period of 30 years to calculate the decommissioning provision for assets, which, in the opinion of the Company's management, reflects the expected lifecycle of the technology used to accommodate transmission equipment (Note 17).

Interest-free repayable financial assistance from entities under common control

The Company recognizes the difference between the nominal amount of received short-term interest-free repayable financial assistance and its fair value within other changes in equity, as it is considered the result of a transaction with a related party (Notes 7, 18).

Lease liabilities

The Company's management considers the recognition of lease liabilities as at 31 December 2022 for locations that house elements of the passive telecommunications infrastructure situated in temporarily occupied territories of Ukraine to be reasonable. This is because the Company deemed and continues to deem the lease agreements valid and had no practical possibility to terminate them or otherwise avoid payment of the respective lease obligations. As at 31 December 2022, the amount of lease liabilities related to assets located in the occupied territories is approximately 82,080 thousand UAH. This amount is included in the total lease liabilities as at 31 December 2022. Details regarding the impairment of related right-of-use assets are disclosed in Note 20.

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7 Related party disclosure

For the year ended as at 31 December 2022 and 2021, income and expenses with related parties were as follows:

	31 December 2022	31 December 2021
	Entities under common control	Entities under common control
Trade and other receivables	172 383	62 370
Trade and other payables	(301 646)	(24 085)
Other current liabilities	(450 664)	-
Total	(579 927)	38 285

Transactions with related parties were on contractual terms.

Terms and conditions of transactions with related parties

Outstanding balances with related parties at the year-end are unsecured and settlement occurs in cash. Outstanding balances with related parties are interest free

Trade accounts receivable from related parties as at 31 December 2022 and 31 December 2021 are non-interest-bearing, unsecured, and settled in the course of ordinary business activities.

Trade payables to companies under common control includes liabilities for fixed assets, consulting services, rental of buildings, audit of base stations, and technical support. Trade payables to related parties are non-interest bearing and are settled as part of the normal operating cycle.

Other current liabilities

During 2022, Ukraine Tower Company received a short-term non-interest-bearing financial assistance from Kyivstar, a related company under common control, amounting to 530,000 thousand UAH. At the time of receipt, it was assessed at fair value by discounting the contractual cash flows at a rate of 18%, corresponding to the market interest rate for similar financial instruments. The difference of 79,718 thousand UAH between the nominal value of the received short-term non-interest-bearing financial assistance and its fair value was recorded in other comprehensive income, as it is considered a result of a transaction with a related party under common control initiated by the owner acting in accordance with his capacity as owner. If the outcome of this transaction were considered to have commercial substance, it would be reflected in the statement of comprehensive income.

Revenues and trade receivables

In 2022, the Company provided rental services to PJSC "Kyivstar," a related party, totaling 1,218,153 thousand UAH. (in 2021, the amount was 85,658 thousand UAH).

Below are the income, expense, and acquisition of non-current assets from transactions with related parties for 2022 and 2021:

	2022	Jan-Dec 2021
	Entities under common control	Entities under common control
Sales of goods and services	1 218 153	85 658
Consulting services and other expenses	(24 902)	(26 901)
Other income	112	-
Acquisition of non-current assets	(495 544)	(439 613)
Total	697 819	(380 856)

Acquisition of non-current assets, Consulting expenses and Other expenses

Consulting and other expenses include consulting services, building rental services, base station audits, and technical maintenance provided by companies under joint control.

7. Related party disclosure (continued)

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Compensation to management personnel

As at December 31, 2022, the key management personnel of the Company consisted of 7 top executives (in 2021 – 7 top executives).

For the years ended 31 December total compensation to key management personnel included in salaries and personnel costs comprised:

	2022	Jan-Dec 2021
Short-term employee benefits	9 836	2 310
Accrual/reversal of long-term incentive plan for management	2 320	-
Total compensation to key management personnel	12 156	2 310

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8 Property, plant and equipment

The movement of property, plant and equipment during 2022 is as follows:

Groups of property, plant and equipment	Line code	Balance at the beginning of the year		Additions in the year	Revaluation (appreciation +, impairment -)		Disposals in the year		Depreciation charge for the year	Impairment loss	Other changes for the year		Balance at the end of the year		Including received under the lease		Including transferred to operating lease	
		Cost or valuation	Accum. deprec'n		Cost or valuation	Accum. deprec'n	Cost or valuation	Accum. deprec'n			Cost or valuation	Accum. deprec'n	Cost or valuation	Accum. deprec'n	Cost or valuation	Accum. deprec'n	Cost or valuation	Accum. deprec'n
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
Buildings, constructions and transmission equipment *	120	8 457	234	7 335	-	-	-	-	1 978	-	-	-	15 792	2 212	15 792	2 212	-	-
Machinery and equipment*	130	1 544 228	21 513	1 377 772	-	-	2 075	287	310 262	1 388 570	(39 942)**	-	2 879 983	474 458	1 817 368	307 879	-	-
Vehicles *	140	3 650	182	760	-	-	-	-	2 637	-	-	-	4 410	2 819	4 410	2 819	-	-
Tools, fittings and furniture	150	-	-	1 033	-	-	-	-	55	-	-	-	1 033	55	-	-	-	-
Total	260	1 556 335	22 229	1 386 900	-	-	2 075	287	348 932	1 388 570	(39 942)	-	2 901 218	479 544	1 837 570	312 910	-	-

The movement of property, plant and equipment for the period from 22 June to 31 December 2021 is as follows:

Groups of property, plant and equipment	Line code	Balance at the beginning of the year		Additions in the year	Revaluation (appreciation +, impairment -)		Disposals in the year		Depreciation charge for the year	Impairment loss	Other changes for the year		Balance at the end of the year		Including received under the lease		Including transferred to operating lease	
		Cost or valuation	Accum. deprec'n		Cost or valuation	Accum. deprec'n	Cost or valuation	Accum. deprec'n			Cost or valuation	Accum. deprec'n	Cost or valuation	Accum. deprec'n	Cost or valuation	Accum. deprec'n	Cost or valuation	Accum. deprec'n
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
Buildings, constructions and transmission equipment *	120	-	-	8 457	-	-	-	-	234	-	-	-	8 457	234	8 457	234	-	-
Machinery and equipment*	130	-	-	1 494 659	-	-	-	-	21 913	-	49 589**	-	1 544 228	21 913	1 052 665	18 295	-	-
Vehicles *	140	-	-	3 650	-	-	-	-	182	-	-	-	3 650	182	3 650	182	-	-
Total	260	-	-	1 506 766	-	-	-	-	22 329	-	49 589	-	1 556 335	22 329	1 064 772	18 711	-	-

* "Buildings, structures, and transmission equipment," "Machinery and equipment," and "Vehicles" include right-of-use assets recognized as a result of the introduction of IFRS 16 "Leases." The category "Machinery and equipment" mainly consists of assets that are leased out. Refer Note 9.

** Provision for asset retirement obligations. Refer Note 17.

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8. Property, plant and equipment (continued)

Receipts for the years 2022 and 2021 are represented by assets transferred from the category of construction in progress.

The management determined that military aggression (Refer Note 2) is an indicator of potential impairment of property, plant, and equipment as at December 31, 2022, and conducted an impairment test. The test considers significant increases due to national risks inherent to the country from the ongoing war (typically leading to increased discount rates), but its full impact is offset by available reserves. Thus, management concluded that as at December 31, 2022, there was no impairment of property, plant, and equipment based on the impairment test conducted at the cash-generating unit level.

The group "Buildings, constructions, and transmission equipment" includes right-of-use assets according to IFRS 16, specifically the Company's leased offices. The group "Machinery and equipment" comprises radio equipment, masts and towers, energy-saving equipment, and right-of-use assets according to IFRS 16. The group "Vehicles" includes right-of-use assets according to IFRS 16, specifically leased vehicles.

9 Right-of-use assets and lease liabilities

The Company leases various buildings and land used for placing transmission equipment, as well as vehicles. Lease agreements are typically entered into for fixed periods ranging from 6 months to 7 years, but may include options for lease extension.

The Company recognizes a lease as a right-of-use asset, reflecting the corresponding liability, starting from the date when the leased asset becomes available for the Company's use. Movement of right-of-use assets for the years 2022 and 2021:

	Buildings, constructions and transmission equipment	Machinery and equipment (including sites for accommodating passive telecommunications equipment)	Vehicles	Total
Carrying amount as at January 01, 2021	-	-	-	-
Additions	8 457	1 052 665	3 650	1 064 772
Disposals	-	-	-	-
Depreciation charges	(234)	(18 295)	(182)	(18 711)
Carrying amount as at December 31, 2021	8 223	1 034 370	3 468	1 046 061
Additions	7 335	776 738	760	784 833
Disposals	-	(11 779)	-	(11 779)
Depreciation charges	(1 978)	(213 860)	(2 637)	(218 475)
Impairment reserve for right-of-use assets	-	(75 980)	-	(75 980)
Carrying amount as at December 31, 2022	13 580	1 509 489	1 591	1 524 660

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9. Right-of-use assets and lease liabilities (continued)

Right-of-use assets as at December 31, 2022, and December 31, 2021, are included in the "Property, plant and equipment" category. Refer Note 8.

The Company recognised lease liabilities as follows:

	31 December 2022	31 December 2021
Short-term lease liabilities (Refer Note 18)	356 491	205 435
Long-term lease liabilities (Refer Note 18)	1 309 561	852 605
Total lease liabilities	1 666 052	1 058 040

Interest expenses included in financial expenses for 2023 amounted to 143,558 thousand UAH (for the period from 22 June to 31 December 2021, amounted to 13,012 thousand UAH).

Expenses related to short-term leases of land and buildings, as well as contracts with unspecified lease assets, included in general and administrative expenses for 2022, amounted to 5,328 thousand UAH (for the period from 22 June to 31 December 2021, amounted to 3,963 thousand UAH).

The total amount of lease payments for 2022 amounted to 152,806 thousand UAH (for the period from 22 June to 31 December 2021, amounted to 23,055 thousand UAH).

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10 Construction-in-progress

The capital investments in progress for 2022 is as follows:

Line code	Groups of construction-in-progress	Balance at the beginning of the year		Additions in the year	Revaluation (appreciation +, impairment -)		Disposals in the year		Depreciation charge for the year	Impairment loss	Other changes for the year		Balance at the end of the year	
		Cost or valuation	Accum. deprec'n		Cost or valuation	Accum. deprec'n	Cost or valuation	Accum. deprec'n			Cost or valuation	Accum. deprec'n	Cost or valuation	Accum. deprec'n
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	Capital construction	1 872	-	121 772	-	-	-	-	-	-	110 817	-	12 827	-
	Acquisition (production) of property, plant and equipment	-	-	495 544	-	-	-	-	-	-	495 544	-	-	-
	Acquisition (manufacturing) of other non-current tangible assets	-	-	3 246	-	-	-	-	-	-	1 265	-	1 981	-
	Total	1 872	-	620 562	-	-	-	-	-	-	607 626	-	14 808	-

* "Other changes for the year" include the movement between the items "Construction-in-progress" and "Property, plant and equipment" (Refer Note 8).

The capital investments in progress for the period from 22 June to 31 December 2021 is as follows:

Line code	Groups of construction-in-progress	Balance at the beginning of the year		Additions in the year	Revaluation (appreciation +, impairment -)		Disposals in the year		Depreciation charge for the year	Impairment loss	Other changes for the year		Balance at the end of the year	
		Cost or valuation	Accum. deprec'n		Cost or valuation	Accum. deprec'n	Cost or valuation	Accum. deprec'n			Cost or valuation	Accum. deprec'n	Cost or valuation	Accum. deprec'n
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	Capital construction	-	-	5 152	-	-	-	-	-	-	3 280	-	1 872	-
	Acquisition (production) of property, plant and equipment	-	-	1 037 293	-	-	-	-	-	-	1 037 293	-	-	-
	Total	-	-	1 042 445	-	-	-	-	-	-	1 040 573	-	1 872	-

* "Other changes for the year" include the movement between the items "Construction-in-progress" and "Property, plant and equipment" (Refer Note 8).

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11 Trade and other receivables

Trade and other receivables consisted of the following as at 31 December:

	31 December 2022	31 December 2021
Trade receivables for rental services	175 839	62 370
Accounts receivable for accrued income	266	318
Total financial assets in trade and other receivables	176 105	62 688
Advances issued	2 027	1 301
Other settlement with the budget	64 466	72 661
Impairment reserve for advances issued	(79)	-
Total	242 519	136 650

The item "other settlements with the budget" as at 31 December 2022 mainly consists of the amount of VAT claimed for reimbursement in December 2021 – 62,081 thousand UAH (as at 31 December 2021 – 72,616 thousand UAH, VAT arising from transactions for the acquisition of property, plant and equipment from PJSC Kyivstar, of which 72,164 thousand UAH was claimed for budgetary reimbursement), VAT liabilities payable of 14,965 thousand UAH, and the amount of input VAT on unpaid tax invoices of 17,307 thousand UAH. In 2022, the Company received VAT budgetary reimbursement in the amount of 10,083 thousand UAH. This item also includes prepayments for personal income tax, unified social contribution, and military levy.

As at 31 December 2022 and 31 December 2021, trade and other receivables are in UAH, interest-free, and are settled as part of the Company's normal business activities.

The Company applies the simplified approach for creating expected credit loss reserves as specified by IFRS 9, which allows the use of a reserve for expected losses over the life of the instrument for all assets in the "Trade Receivables from Main Operations" category. To assess the expected credit loss, trade receivables from main operations are grouped according to common characteristics of credit risk and aging. As at 31 December 2022 and 31 December 2021, the Company had no overdue trade receivables, hence no reserve for credit risks for trade receivables was created. As at 31 December 2022, an analysis was conducted regarding the presence of objective evidence of impairment for advances issued. Based on the analysis, a reserve for doubtful debts was recognized for advances issued in the amount of 79 thousand UAH.

12 Cash and cash equivalents

Cash and cash equivalents consist of the following as at 31 December:

	31 December 2022	31 December 2021
Cash at banks	108 918	158 998
Total	108 918	158 998

As at 31 December cash at banks is denominated in the following currencies:

	31 December 2022	31 December 2021
UAH	62 177	158 998
EUR	46 741	-
Total	108 918	158 998

In 2022, interest income was accrued on cash at banks at fixed rates ranging from 0% to 5% per annum (in 2021 – from 0% to 3% per annum).

13 Other current assets

Other current assets of the Company as at 31 December 2022 amount to 5 thousand UAH (as at 31 December 2021 – 8,855 thousand UAH). The amount of other current assets of the Company in 2021 mainly consisted of input VAT, which primarily arose from transactions related to the purchase of property, plant and equipment and consulting services from PJSC Kyivstar.

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14 Equity

As at 31 December, the data on equity is as follows:

	31 December 2022	31 December 2021
Registered (share) capital	5 000	5 000
Retained earnings (accumulated deficit)	164 024	(26 656)
Other additional capital	79 745	27
Total	248 769	(21 629)

As at 31 December 2022 and 31 December 2021, the registered share capital was fully paid.

15 Borrowings

As at 31 December 2022, all bank loans and accrued interest were fully repaid.

As at 31 December 2022 the carrying amounts and fair values of borrowings are as follows:

	Carrying amounts	Carrying amounts
	31 December 2021	31 December 2021
Long-term bank borrowings	697 939	697 939
Interest accrued	15	15
Total	697 954	697 954

As at 31 December 2021 the Company's borrowings split by contractual maturity, including interest to be repaid during the period of validity of agreements, currency and interest rate is as follows:

Currency	Maturity date	Principal (in UAH thousands)	31 December 2021	
			Interest (in UAH thousands)	Interest rate p.a.
UAH	0-30 days		185	12.14%
UAH	31-60 days		169	12.14%
UAH	3 to 12 months		1 949	12.14%
UAH	12 months to 3 years	697 939	2 061	12.14%
Total		697 939	4 364	

The fair values are based on cash flows discounted using a rate based on the borrowing rate of 12,14%.

16 Trade and other payables

As at 31 December, trade and other payables comprised the following:

	31 December 2022	31 December 2021
Equipment and construction works	334 534	5 212
Electricity	22 975	4 109
Rent	14 828	4 573
Technical maintenance	7 482	27 405
Cost of consulting and other professional services	4 935	19 087
Other payables	1 784	1 268
Total financial trade and other payables within the trade and other payables, presented at amortized cost.	386 538	61 654

Trade payables for equipment and construction works, technical services, consulting, and other professional services amounting to UAH 301,646 thousand are payable to related parties (Note 7).

As at 31 December 2022 and 31 December 2021, trade and other payables were non-interest-bearing and settled in the ordinary course of the Company's business activities.

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17 Provisions

The movement in provisions is as follows:

	Decommissioning	Long-terms incentive to management	Other	Total
As at 22 June 2021	-	-	-	-
As at 31 December 2021	49 569	-	1 649	51 218
As at 31 December 2022	12 526	2 320	21 704	36 550

Decommissioning liabilities

As at 31 December 2022, the Company recognised a provision of 12,526 thousand UAH (as at 31 December 2021, UAH 49,569 thousand) for future decommissioning costs associated with its network equipment installed on leased sites. The amount of the reserve for the removal of assets from operation was calculated based on the following assumptions:

	Assumptions used as at 31 December 2022	Assumptions used as at 31 December 2021
Cost of dismantling per site, UAH	67 034	56 302
Discount rate	18.24%	9.70%
Inflation	5%	5%

As at 31 December 2022, the 1% decrease in the discount rate would increase the provision by 3,636 thousand UAH (1% increase in the discount rate would decrease the provision by 2,797 thousand UAH). As at 31 December 2021, 1% decrease in the discount rate would increase the provision by 15,673 thousand UAH (1% increase in the discount rate would decrease the provision by 11,814 thousand UAH).

The Company uses a term of 30 years for calculating the decommissioning reserve, which the management believes represents the minimum lifespan of the technology for the placement of transmission equipment.

A sensitivity analysis of the asset decommissioning reserve amounts based on a -10/+10 year change is provided in the table.

	Assumptions used as at 31 December 2022	Assumptions used as at 31 December 2021
Decrease -10 years	41 130	76 805
Increase +10 years	3 815	31 992

18 Other liabilities

As at 31 December other current liabilities consist of the following:

	31 December 2022	31 December 2021
Lease liability (Note 9)	356 491	205 435
Financial aid received (Note 7)	450 664	-
Total financial liabilities at amortised cost	807 155	205 435

As at 31 December 2022 and 31 December 2021, other current liabilities are interest-free.

As at 31 December 2022, other long-term liabilities include UAH 1,309,561 thousand representing the long-term portion of the lease liability (as at 31 December 2021, UAH 852,605 thousand).

19 Revenue from sales and other operating income

	2022	Jan-Dec 2021
Revenue from rent	1 120 628	82 533
Revenue from the reimbursement for utilities under lease agreements	111 243	3 125
Total	1 231 871	85 658

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19. Revenue from sales and other operating income (continued)

The Company's revenue from sales consists of rental income and revenue from the reimbursement for utilities under lease agreements.

Future minimum expected rental income under contracts as at December 31, had the following appearance:

	2022	Jan-Dec 2021
Up to one year	1 591 991	518 101
1-2 years	1 591 991	414 480
2-3 years	1 591 991	414 480
3-4 years	1 591 991	414 480
4-5 years	1 591 991	414 480
More than 5 years	1 838 190	767 737
Total	9 798 145	2 943 758

Other operating income consists of net profit from foreign exchange differences in the amount of UAH 8,406 thousand *in 2022* (3 thousand *UAH in 2021*)

20 Operating expenses

	2022	Jan-Dec 2021
Cost of materials and services	-	-
Material expenses	-	-
Salaries and wages	31 452	6 974
Bonuses to employees	20 298	1 084
Other staff costs	1 104	259
Payroll	52 854	8 316
Social payments	10 799	1 454
Depreciation/amortisation	318 932	22 329
Repair and maintenance	5 425	67
Electricity costs	128 138	7 153
Consulting services and services from external experts	45 170	50 502
Land and building rent under short-term contracts	5 328	3 963
Local taxes and non-reimbursable VAT	50 300	3 592
Loss from impairment of property, plant and equipment, construction in progress	62 590	-
Loss from impairment of right-of-use assets	75 980	-
Write-off of property, plant, and equipment, unfinished capital investments, intangible assets, and assets classified as held for sale	579	-
Other operating expenses	9 579	1 482
Other operating expenses	383 089	66 759
Total	765 674	98 858
Cost of sales of goods, works and services	536 443	62 355
Administrative expenses	87 257	36 459
Selling expenses	1 802	44
Other operating expenses	140 172	-
Total	765 674	98 858

The average number of employees of the Company in 2022 was 106 people (in 2021 – 86 people).

In 2022, the Company recognised impairment losses of UAH 62,590 thousand for property, plant, and equipment and UAH 75,980 thousand for right-of-use assets (no impairment losses were recognised in 2021) due to the armed aggression of the Russian Federation against Ukraine. The assets subject to impairment, comprising 100% of their carrying value, were located in temporarily uncontrolled territories of Ukraine, as well as assets at risk of significant damage, resulting in the inability to obtain economic benefits from their future use.

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21 Finance income and expenses

	2022	Jan-Dec 2021
Interest income	3 204	637
Finance income	3 204	637
Interest expenses on lease	(143 558)	(13 012)
Interest expenses on bank loans	(34 180)	(6 464)
Interest expenses related to the discounting of financial aid	(50 382)	-
Interest expenses on the decommissioning reserve	(3 070)	-
Finance expenses	(231 190)	(19 476)
Total	(227 986)	(18 839)

22 Income tax

The Company's profits are subject to corporate profit tax in Ukraine only at a rate of 18%.

The major components of income tax expense for the years ended 31 December are:

	2022	2021
Current income tax	86 332	-
Current income tax charge	86 332	-
Deferred tax	(30 200)	(5 407)
Relating to origination and reversal of temporary differences	(30 200)	(5 407)
Total	56 132	(5 407)

Reconciliations between tax expense and the product of accounting profit multiplied by the tax rate for the years ended 31 December are as follows:

	2022	2021
Accounting profit before tax	246 812	(32 063)
Income tax at actual rate (18%)	44 426	(5 771)
Non - deductible expenses for tax purposes	12 070	364
Other adjustments recognised in the period for current tax of prior periods	(364)	-
Total	56 132	(5 407)

Deferred tax assets and liabilities relate to the following items in 2022:

	31 December 2021	Recognised in profit and loss	31 December 2021
Deferred tax assets / (liability):			
Property, plant and equipment (i)	336	34 317	34 653
Trade and other receivables	-	14	14
Provisions (ii)	-	940	940
Accumulated tax losses (iii)	5 071	(5 071)	-
Total	5 407	30 200	35 607
Net deferred tax asset / (liability)	5 407	30 200	35 607

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22. Income tax (continued)

Deferred tax assets and liabilities relate to the following items for the period from 22 June to 31 December 2021:

	22 June 2021	Recognised in profit and loss	31 December 2021
Deferred tax assets / (liability):			
Property, plant and equipment (i)	-	336	336
Accumulated tax losses (iii)	-	5 071	5 071
Total	-	5 407	5 407
Net deferred tax asset / (liability)	-	5 407	5 407

Temporary differences are caused by the following:

- (i) Regarding property, plant, and equipment – the differences are mainly due to differences in the methods of estimating useful life and impairment and differences in capitalization principles.
- (ii) Regarding provisions – the differences are associated with the creation of reserves for future expenses (decommissioning reserve, among others).
- (iii) Regarding accumulated tax losses – they were fully utilised due to the occurrence of taxable profit in 2022.

All tax differences will be realized in the next reporting period, except for those related to property, plant, and equipment.

23 Commitments and contingencies

(i) Estimation uncertainty, related to tax risks and uncertain tax positions

Ukrainian legislation and regulations regarding taxation and other operational matters, including currency exchange control and custom regulations, continue to evolve. Legislation and regulations are not always clearly written and are subject to varying interpretations by local, regional and national authorities, and other governmental bodies. Instances of inconsistent interpretations are not unusual.

Uncertain tax positions are recognized when it is probable that a tax position will not be sustained. Management performs the assessment related to the uncertain tax positions based on their interpretations of the relevant tax legislation.

For most issues on which management formed a conclusion as at the reporting date, the relevant risk that the Company's tax positions could not be sustained in the event of a challenge by the tax authorities was assessed as insignificant. For those matters where the Company assesses the risks as probable and possible, appropriate provisions have been recognized, and relevant information has been disclosed in these financial statements based on all the information available to management.

Tax authorities may conduct inspections for the financial period of three calendar years preceding the year of the inspection. In certain circumstances, the review may cover longer periods. The ultimate resolution of issues related to uncertain tax positions is not always within the Company's control and often depends on the effectiveness of legal procedures. The resolution of these matters may take, and in many cases does take, many years.

(ii) Legal matters

In the ordinary course of business, the Company is a party to legal proceedings and claims. In cases where the outflow of resources is probable, the Company has recognised a provision based on management's best estimates.

In management's opinion, potential obligations that may arise from unasserted claims or lawsuits (if any) will not have a negative impact on the Company's financial position or performance in the future exceeding the provisions recognized in this financial statement.

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23. Commitments and contingencies (continued)

(iii) Other capital and purchase of services commitments

As at 31 December 2022, the Company had liabilities for the acquisition and construction of property, plant, and equipment amounting to UAH 7,797 thousand and liabilities for the acquisition of services amounting to UAH 9,161 thousand.

(iv) Transfer pricing

In 2022, the Company had no controlled transactions or other transactions subject to tax control under transfer pricing regulations.

24 Fair value of financial instruments

As at 31 December 2022 and 31 December 2021, management assessed that the fair value of cash and cash equivalents, trade and other receivables, other current financial assets, other long-term financial liabilities and trade and other payables approximately equaled their carrying amounts due to the short-term nature of these instruments. The fair value estimation was based on discounted cash flows using rates determined within Level 3 of the fair value hierarchy, except for cash in banks, where Level 2 rates were applied. The information on the fair value of borrowings is provided in Note 15.

25 Financial instruments and risk management

The Company's primary financial instruments include cash and cash equivalents, as well as other current financial assets. The Company also holds various other financial instruments, such as trade payables and receivables.

It is the Company's policy not to trade with financial instruments. The Company is exposed to market risk, credit risk and liquidity risk.

The Company's overall risk management program focuses on the unpredictability and inefficiency of the Ukrainian financial market and aims to mitigate its potential negative impact on the Company's financial position. The Company's senior management oversees the risk management process, while financial risk-related activities are conducted in accordance with established policies and procedures. Identification, assessment, and management of financial risks are carried out in compliance with the Company's policies.

The approaches to managing each of these risks are detailed below.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risks: interest rate risk, currency risk, and other price risks. The Company is not exposed to significant interest rate risk, as it generally borrows at fixed rates. Similarly, the Company is not exposed to other price risks.

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's exposure to currency risk is primarily related to its operational activities (when the Company's cash balances are denominated in foreign currencies).

The official exchange rates of foreign currencies in which the Company's financial assets and liabilities are denominated, as established by the National Bank of Ukraine for the specified dates and periods, were as follows:

	EUR
1 January 2021	34.740
Average for 2021	32.301
31 December 2021	30.923
Average for 2022	33,995
31 December 2022	38.951

The sensitivity analysis below shows the impact of the Company's profit before tax to changes in exchange rates (due to changes in the fair value of monetary assets and liabilities) with all other variables held constant.

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25. Financial instruments and risk management (continued)

The sensitivity analysis was prepared based on the assumption that the proportion of foreign currency financial instruments remained constant as at December 31, 2023 (There were no foreign currency balances as at 31 December 2021):

2022	Increase/ (decrease) in %	Increase/ (decrease) of profit before tax	Increase/ (decrease) of retained earnings
Change in the EUR exchange rate	+10,00%	4 674	3 833
Change in the EUR exchange rate	-1,00%	(467)	(383)

Liquidity risk

The Company analyses the ageing of its assets and the maturity of its liabilities and plans its liquidity depending on the expected repayment of various instruments. The Company's short-term and long-term liquidity needs are funded largely through cash flow from operating activities and bank borrowings.

Below is a table showing the Company's liabilities as at December 31, 2022, by remaining contractual maturity. The amounts in the table are undiscounted cash flows under the agreements, including gross obligations for leases (before deduction of future finance charges). These undiscounted cash flows differ from the amounts shown in the balance sheet as the balance sheet amounts are based on discounted cash flows.

The maturity analysis of financial liabilities as at December 31, 2022 is presented below:

	Demand and less than 3 months	From 3 to 12 months	From 12 months to 5 years	Over 5 years	Total
Reimbursable short-term financial aid	-	480 000	-	-	480 000
Lease liabilities	96 078	286 919	1 521 421	419 826	2 324 244
Trade and other payables	386 538	-	-	-	386 538
Total	482 616	766 919	1 521 421	419 826	3 190 782

The maturity analysis of financial liabilities as at December 31, 2021 is presented below:

	Demand and less than 3 months	From 3 to 12 months	From 12 months to 5 years	Over 5 years	Total
Bank borrowings	354	1 949	700 000	-	702 303
Lease liabilities	53 825	161 475	851 007	392 965	1 459 272
Trade and other payables	61 654	-	-	-	61 654
Total	115 833	163 424	1 551 007	392 965	2 223 229

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Financial instruments, which potentially expose the Company to significant concentrations of credit risk, consist principally of cash in bank, short-term deposits, and trade and other receivables.

The Company's maximum credit risk exposure at 31 December comprises:

	31 December 2022	31 December 2021
Cash and cash equivalents (excluding cash on hand)	108 918	158 998
Trade and other receivables	242 519	136 650
Total	351 437	295 648

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25. Financial instruments and risk management (continued)

The Company's cash is predominantly placed with major banks located in Ukraine and known for their reliable reputation.

The Company does not require collateral for trade receivables. As at December 31, 2022, a significant portion of trade receivables consists of amounts due from companies under common control, representing 98%.

The management has developed a credit policy, and potential credit risks are constantly monitored. Risk assessment is performed for all customers whose credit exceeds a certain limit. The credit risk arising from financial transactions is minimized by diversifying, choosing counterparties with high credit ratings, and setting limits on the total credit risk for each counterparty. The Company's credit risk is monitored and analyzed on a case-by-case basis, and management believes that the credit risk is adequately reflected in the provisions for impairment losses on assets.

26 Reconciliation of liabilities arising from financing activities

The table below sets out an analysis of liabilities from financing activities and the movements in the Company's liabilities from financing activities for each of the periods presented. The items of these liabilities are those that are reported as financing in the statement of cash flows:

	Borrowings	Financial aids	Lease liabilities	Total
Liabilities from financing activities at 22 June 2021	-	-	-	-
Cash flows				
Receipt of the loan	700 000	-	-	700 000
Receipt of financial aid	10 800	-	-	10 800
Repayment of the principal amount of lease liabilities	-	-	(7 201)	(7 201)
Repayment of financial aid	(10 800)	-	-	(10 800)
Paid interest and commissions	(8 510)	-	(13 012)	(21 522)
Non-cash changes				
Incoming	-	-	1 065 241	1 065 241
Outgoing	-	-	-	-
Accrued interest	6 464	-	13 012	19 476
Liabilities from financing activities at 1 January 2021	697 954	-	1 058 040	1 755 994
Cash flows				
Receipt of financial aid	-	530 000	-	530 000
Repayment of financial aid	-	(50 000)	-	(50 000)
Repayment of the principal amount of lease liabilities	-	-	(152 806)	(152 806)
Repayment of the loan	(700 000)	-	-	(700 000)
Paid interest and commissions	(32 134)	-	(143 558)	(175 692)
Non-cash changes				
Incoming	-	-	784 833	784 833
Outgoing	-	-	(24 015)	(24 015)
Accrued interest	34 180	50 382	143 558	228 120
Recognized in additional capital	-	(79 718)	-	(79 718)
Liabilities from financing activities at 31 December 2022	-	450 664	1 666 052	2 116 716

27 Management of Capital

The Company's objective in capital management is to ensure the continued operation of the Company as a going concern, generate profit for the parent company and benefits for other stakeholders, and maintain an optimal capital structure to reduce its cost.

The Company considers its net debt and equity as the primary sources of capital. The Company's net debt consists of long-term and short-term borrowings adjusted for cash and cash equivalents and short-term deposits with maturities over 3 months (if any). The capital managed by the Company as at December 31, 2022, amounted UAH 139,851 thousand (in 2021 – UAH 517,327 thousand).

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28 Events after the reporting period

The following events occurred that do not require adjustments to the financial statements:

During 2023, the Company repaid the financial aid received from PJSC Kyivstar.

In 2023 and January–February 2024, the Company acquired property, plant, and equipment for a total amount of UAH 762,679 thousand.